
ECONOMIC LIBERALISM IN THE AMERICAS

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SUMMARY

The “Liberalism in the Americas: A Digital Library” project, hosted by the Institute for the Study of the Americas, has given rise to a series of events intended to survey and explore the major historiographical debates regarding liberalism in nineteenth-century Latin America in a comparative context. Several research workshops, involving focused discussion amongst a selected group of specialist scholars and advanced graduate students, have examined themes in the history of liberalism through comparative case studies on Mexico, Peru, Argentina, the United States, and elsewhere. The fifth and final workshop in our Liberalism in the Americas series, on 6 June 2012, examined debates surrounding the definition and application of liberal economic ideas in the Americas, with a particular focus on issues of land ownership and speculation, banking, monetary and taxation systems, international trade, and international finance. Overall, the workshop discussion centred on the relationship—often antagonistic—between economic liberalism and political liberalism in the Americas.

The workshop was organised by the project leaders, Deborah Toner (ISA), Paulo Drinot (ISA) and Maxine Molyneux (ISA), and attended by 19 participants, of whom a full list can be found at the end of this report. Generous financial support was provided by the Economic History Society and the Society for Latin American Studies. Written working papers were submitted by four paper presentations in advance of the workshop for registered participants to read, and Dr Alejandra Irigoin made a brief spoken presentation during the workshop in lieu of a full written paper. On each panel, a commentator discussed the papers for approximately fifteen minutes, suggesting areas for clarification and further comment, before opening the floor for general questions and discussion.

AIMS AND OBJECTIVES

Liberal economic principles and policies were often at odds with politically liberal agendas across the Americas in the nineteenth century. This workshop examined debates surrounding the definition and application of liberal economic ideas in a comparative context, to establish what local, regional, national and transnational factors shaped economic development in different parts of the Americas during the nineteenth and early twentieth century. The workshop focused on issues of land ownership, banking, monetary and taxation systems, international trade, and international finance, and compared case studies from Mexico, Argentina, Peru and the United States in the context of the broader international and global situation. The workshop was designed to facilitate the involvement of a wider network of economic historians in the “Liberalism in the Americas” research project, to contribute to the establishment of a research agenda for the comparative analysis of economic liberalism, and to bring together leading experts in economic liberalism from Latin America, North America and the UK, with early career scholars working in these areas. The discussion-based format of the workshop was chosen to facilitate maximum discussion and to provide critical feedback on the working papers submitted by the participants. Several of these working papers will be deposited in ISA’s institutional repository SAS-Space and several will be revised for future publication.

PANEL 1: PAPERS BY DR HELGA BAITENMANN (INSTITUTE FOR THE STUDY OF THE AMERICAS, ASSOCIATE FELLOW); MR TOM CUTTERHAM (ST HUGH’S COLLEGE, OXFORD).

Rosemary Thorp, Emeritus Professor at St Antony’s College and former Director of the Latin American Centre at the University of Oxford, opened the workshop discussion with thought-provoking comments that dwelt on the points of comparison and contrast between two papers that discussed liberalism’s impact on specific aspects of land ownership in Mexico and the United States respectively. An intriguing point of comparison between the papers, regarding the necessity of institution-building to the implementation of economic policy, spoke to the workshop’s general preoccupation with the relationship between economic and political aspects of liberalism. While Tom Cutterham’s paper argued that land speculation in the US at the end of the eighteenth century gave impetus to the establishment of financial structures, including banks and

systems of credit, Helga Baitenmann's work highlighted how the Mexican central government had to assert authority over state and municipal levels of government in the implementation of specific land reform policies in the late nineteenth century.

Baitenmann's paper, 'Ejido Land Privatization in Porfirian Mexico: A Case of "Developmentalist" Social Liberalism?' explored the Department of Development (*Fomento*) policies on land disentailment from the 1880s, wherein grants of land were offered to communities, with the proviso that the beneficiaries divided the granted land into private plots. Baitenmann argued that this move was not only designed to stimulate the economy and land market, but also to protect rural (mainly indigenous) communities from land speculators. Although the impact of this protective aspect to the programme was not particularly strong, the mere existence of this deliberate social policy is noteworthy since it contributes to a revised understanding of the Porfirio Díaz government in late nineteenth-century Mexico, in comparison to the more traditional historiography which focuses on the dispossession of indigenous communities by Díaz's liberal land policies of privatisation. In response to Thorp's queries, Baitenmann emphasized that *Fomento* policy-makers were concerned with promoting egalitarianism within the specific land distribution processes under discussion – in other words, they wanted the land granted to communities to be divided equally between community members, usually on a head of household basis – in order to ensure a fair and equitable process through which the rural poor could improve their social condition. Of course, this did not equate to a belief in egalitarianism writ large, but the *Fomento* approach does indicate the existence of a greater degree of social responsibility during the Porfiriato than has been fully recognized in the historiography. Given the limited effectiveness of the policy designed to protect community interests, however, Baitenmann was careful to note that the extent of such social responsibility should not be over-exaggerated, and the revisionist argument should not be taken too far.

In continuing the discussion, Alan Knight, Professor of the History of Latin America at St Antony's College, Oxford, raised several questions, particularly regarding the degree of regional variation in land disentailment processes, the differences in terminology regarding particular types of land grant, and the apparent focus of Porfirian land policies on Mexico's indigenous population. Baitenmann explained that recent years had seen an upswing of interest in the topic of pueblo land disentailment

and this research is uncovering a huge variety of regional experiences, both in terms of how the process was conducted and in terms of how villages and villagers participated in the process. She indicated that the study of the phenomenon under discussion in her paper—the privatization of public and vacant lands—was still in its infancy, as most existing research was focused on the privatization of lands that were already held in communal ownership. Regarding terminological distinctions, the primary categories employed in Baitenmann’s work were *baldíos* (untitled lands), *ejidos* (pasture and woodlands), *fundos legales* (town sites), and *propios* (land held by municipal governments). During the Porfiriato, the terms *baldíos* and *ejidos* were used in a slippery manner, even interchangeably, and so it was sometimes difficult to establish the exact nature of land under discussion in many archival sources.

Regarding the issue of whether Porfirian land policies were focused on indigenous groups to the exclusion of other ethnic groups among the rural poor, Baitenmann stated that this was also unclear and in need of further investigation. Politico-economic discourse of the era heavily framed the problem of land ownership and distribution in racialised terms; that is, government agencies and social commentators usually pointed to the “miserable” condition of Mexico’s indigenous population as one of the key national problems to be solved through the creation of a large class of rural landowners. But clearly the communities involved in processes of land disentanglement were not all indigenous, especially in the northern regions of Mexico. Baitenmann also pointed to other social development projects that deviated from the broad pattern discussed in her paper, as evidence of a more complex racial aspect to land policy. Before the Yaqui uprising in the late 1890s, the *Fomento* department had been attempting to settle the Yaqui Indians in newly established towns, alongside immigrants and non-indigenous settlers. Although this was broadly designed along the same principle of trying to “improve” the indigenous population, the development of different strategies for Indians of different ethnicities indicates that the racial dynamics of Porfirian land policies are worthy of more detailed investigation.

Following a question from Colin Lewis, Professor of Latin American Economic History at the London School of Economics, question regarding the broader agendas behind land reform policy in the Porfirian period, Baitenmann stated that there was no question that, like the US Homestead Act, the Porfirian government’s land policies

served the key priorities of colonisation, settling border areas, and generating state revenue through land sales, and resultant economic productivity. The purpose of Baitenmann's paper was not to rehabilitate the image of the Porfirian government, as some revisionist historiography was wont to do, but to highlight continuities in the policies and processes of land reform in the Porfirian and post-Revolutionary era. In the Porfirian era, the prominent role of *Fomento* meant that villagers dealt directly with the central government, bypassing local and intermediate levels of government administration. The familiarity of the rural population with such procedures in the Porfirian era helped to facilitate the speedy implementation of Revolutionary era reforms; they also established a precedent for the diminished role of the judiciary in settling subsequent disputes over land titles and claims that also marked the Revolutionary era.

Tom Cutterham's paper, 'Soldiers, Statesmen, and Stockjobbers: Finance and Land in Post-Revolutionary America', explored the contested process through which land confiscated from loyalists in the Independence war was distributed in its aftermath. On the one hand, this created opportunities for new men to join the old landed elite, buying the large estates confiscated from loyalists, together with the political status and authority entailed in owning these estates, thus perpetuating old patterns of ownership and authority. On the other hand, a new kind of elite also formed out of revolutionary era conditions, as a market in land speculation emerged. Many soldiers were granted tracts of land in payment for fighting the revolutionary war, but the uncertain status of these grants in the early 1780s, when the borders of the new American nation remained undefined, led many soldiers to sell on their promised grants of land to third parties, often at hugely undervalued prices. A new elite of land speculators and merchants consequently emerged, buying land cheaply, and selling it on at a profit: this was possible for people who held status through credit networks, which were underpinned by new financial institutions such as the Bank of North America and the Bank of New York in the 1780s.

In responding to Rosemary Thorp's and Alan Knight's queries about the potential particularities of the North American case, Cutterham suggested that a possible interpretation was the way in which land quickly became linked, both symbolically and materially, to other forms of wealth and power in the early American

republic. Although acknowledging that other young nations with a fluid, expanding frontier could well have had a similar experience, Cutterham stressed the importance of this connection between land and less visible forms of power, such as credit, to the ideology of the early United States. In contrast to the aristocratic vestiges of large landed estates, associated with the former British rulers, the financialisation of land allowed the early republic to have an *appearance* of equality, based on the availability and accumulation of credit, even as inequalities in wealth and power remained.

Cutterham's paper also led to discussion about the relationship between changes in economic culture and changes in political culture, institution-building, and state-building. In particular, Knight pressed the author to specify the nature of the correlation between economic and political change. Cutterham indicated that in the case of land speculation in the early American republic, the development of new credit-orientated economic processes and relationships drove political developments, including a solidification of centralised institutions and authorities in the constitutional debates of the late 1780s. However, in a more general sense, he speculated that the relationship between economic and political developments was more of a two-way influence. Knight's questioning also led Cutterham to clarify that in referring to the American denunciation of 'feudal' systems of land ownership, associated with the landed estates of British colonial rulers and loyalists, the term 'feudal' was very much one of revolutionary-era rhetoric, and not an accurate historical representation of British agrarian practices in the eighteenth century. Indeed, while American revolutionaries tended to portray British property and inheritance laws, and the law of entail in particular, as illiberal and irrational on the basis of their preservation of aristocratic power structures, Knight and Cutterham agreed that the protection of individual property and the preservation of undivided, coherent estates through the law of entail could equally be described as liberal and rational principles.

The remaining discussion of Cutterham's paper, led by Colin Lewis and Alejandra Irigoin, Lecturer in Economic History at the London School of Economics, focused on the place of taxation in the 1780s and the consequences of the land exchanges and speculation for the construction of the federal fiscal state. Did the availability of land for sale, or at least the perception of its abundance, hinder the development of a coherent fiscal policy in the 1780s? Ultimately, this question remained unresolved in the

workshop discussion. Cutterham noted that taxation was the subject of considerable debate in the 1780s and 1790s. On the one hand, Thomas Jefferson and his Antifederalist allies argued for minimal state involvement and low tax, bolstering their position with the ability to raise cash from land sales as a means of servicing debts accumulated during the revolutionary wars. On the other side, Alexander Hamilton and the Federalist faction argued that modern states were founded on the basis of strong military capacity and a robust taxation regime to support that, a process that should not be delayed, land speculation boom or not. Irigoin noted that, in comparison to Latin American states after independence, the federal government of the United States imposed a relatively heavy tax burden, and that further investigation of the taxation policy in the 1780s, and its relation to land speculation and the servicing of debts, was warranted.

PANEL 2: PAPERS BY PROF. COLIN LEWIS (LONDON SCHOOL OF ECONOMICS), PROF. PAUL GOOTENBERG (STONYBROOK UNIVERSITY OF NEW YORK), DR ALEJANDRA IRIGOIN (LONDON SCHOOL OF ECONOMICS)

In leading discussion during the second panel, Alan Knight directed many of his comments towards establishing how we could more clearly define the nature of economic liberalism, and how we can explain the relationship between economic liberalism and political liberalism. Paul Gootenberg's paper, 'Fishing for Leviathans? Shifting Views on the Liberal State and Development in Peruvian History,' charted how the relationship between political and economic liberalism had been treated by Peruvian historiography. Various strands of developmentalist scholarship during the 1970s and 1980s had tended to employ overarching, and sometimes teleological, interpretations of the relationship between liberalism, development and state-building, approaching the subject from a perspective that dwelt on the reasons behind the "failure" to make a proper liberal democratic state in Peru, and in Latin America more generally. From the 1990s and into the twenty-first century, historians working on political cultures have sought to understand Latin American states on their own terms, rather than judging them against an ideal of liberal democracy, and produced a wide array of historical interpretations rather than the overarching, synthesised analyses of previous historians. Gootenberg's paper noted that many works among the more recent school of historiography did not broach economic issues, or at least dealt with the

investigation of economic developments and political developments in the nineteenth-century history of Peruvian and Latin American state-building as separate or even oppositional phenomena. Gootenberg stressed the need for economic and political perspectives and processes to be reconciled in order to move the field forward.

This point perhaps has significance for the broader study of liberalism, as Gootenberg's paper also posited that the implementation in Latin America of various aspects of economic liberalism (free trade, commodification, property rights, and market individualism) in the absence, or partial absence, of 'political liberty, equality, and constitutional liberalism' was 'not so freakish in a global historical sense, for there is little intrinsic in markets or commerce to dictate stronger democracy, political or human rights, and equality' (p. 14).¹ In commenting on the paper, Knight suggested that we may need to rethink the dynamic between economic and political liberalism in nineteenth-century Latin America: while it is generally accepted that the mid-to-late nineteenth century was an increasingly authoritarian period in political terms, Knight suggested, rather less conventionally, that many aspects of economic policy at this time were not particularly liberal either, contrary to the more widespread view of the late nineteenth and early twentieth century as the high-point of Latin American economic liberalism.

This hypothesis was bolstered by the discussion of Colin Lewis's paper, 'State and Development: Economic Liberalism in Theory and Practice, c. 1900', as Knight pressed the author for clarification of what "counted" as liberal policy in the economic domain that formed the basis for most of the paper's discussion, namely banking and monetary policy. Lewis clarified that a liberal monetary and banking policy during the era would have emphasised firstly, consumer choice and competition with respect to currency, and, secondly, fair competition between different banks, with the state acting as guarantor. Using Argentina as a case study, Lewis's paper focused on the late nineteenth and early twentieth century attempts—which had varying success—to adopt the Gold Standard as a means of establishing the credibility of the Argentine peso, as well as the cronyistic relationships that characterised Argentina's banking institutions, capital markets, and credit networks. Ultimately, Lewis's paper arrived at the conclusion that 'Free-banking in the Argentine barely conformed with the theory of

¹ Page number refers to the working paper discussed during the workshop. A version of Gootenberg's paper is forthcoming with the *Journal of Latin American Studies*.

economic liberalism, [and] the practice was even more distant' (p. 26).² Although the Baring's Crisis in the 1890s went a long way towards kick-starting reform of Argentina's financial institutions, there was no rapid adoption of orthodox liberalism in its aftermath.

Knight also called on Alejandra Irigoin to clarify, with respect to her paper on the relationship between taxation and representation in post-Independence Spanish America, what defined a particular taxation policy as liberal. Irigoin's paper, 'The Conundrum of Latin American Liberalism: Representation and Taxation in the Aftermath of Independence', discussed a wave of fiscal reforms in the 1820s that attempted, in numerous countries within Spanish America, to realign the fiscal base from indirect to direct forms of taxation. All such reform attempts failed within several years, as various states across Spanish America returned to fiscal systems that had operated in the colonial era: those states with easy access to ports relied mostly on customs or import taxes, while those with large rural populations re-introduced the Indian tribute in various guises. Irigoin clarified that a liberal tax policy, which was attempted in many new republics in the 1820s, emphasised the need to tax individuals instead of corporate bodies (like indigenous villages, guild associations, and so on) and proposed that taxes should be universal, general and proportional, with the aim of eliminating exemptions, broadening the fiscal base, and thereby increasing state revenue. These reforms were connected to the simultaneous changes in political representation that republicanism sought to introduce: namely, popular representation in the place of corporate representation, equality between citizens, and individual liberties. However, hybrid forms of both corporate and individual representation and taxation continued to characterise Spanish American states in the nineteenth century. As the century progressed, moreover, there was a general tendency to impose increasingly regressive taxes as a means of addressing persistent problems of insolvency, leading in turn to greater inequalities in society and concomitant limitations on political representation and equality.

While this general argument therefore helped to reinforce the general relationship between political and economic liberalism observed previously by Gootenberg and Knight, Knight raised the question of how life was experienced by the

² Lewis's working paper is available for download from the SAS-Space Liberalism in the Americas collection: <http://sas-space.sas.ac.uk/view/collections/isa-lita.html>

ordinary person in times of fiscal instability. In making this point, he referred to some recent work that suggested that the 1820s to 1840s—a period when viewed from a statist perspective was essentially disastrous for many parts of Spanish America—was actually a time of relative comfort for the ordinary population. In Mexico at least during this period, the weakness of the fiscal state meant that only a small proportion of people's income was spent in taxation, at the same time as a free market in grain helped to lower food prices. Irigoin agreed that this era saw a relatively low tax burden imposed on the population in many Latin American countries, and taxes were far lower than in the United States, although there were bound to be considerable regional variations. Broadly speaking, Irigoin suggested that states where federalists were in power, taxation tended to be fairly low, whereas in those where centralists controlled the national government, taxation was usually higher. Rory Miller, Reader in International Business History at the University of Liverpool, also agreed that certain measures of the standard of living in the post-independence era seemed to support this interpretation; in particular, consumption of both food and textiles—key indicators of standards of living for the non-elite populations—has been shown by several regional and national studies to be higher in the early to mid nineteenth century than in the late nineteenth century. Irigoin and Gootenberg developed this discussion point further by exploring how we categorise “weak” and “strong” states. Some definitions favoured the extent of autonomy in defining state strength, while others emphasised the ability of states to collect and spend revenue. The precise relationship between levels of revenue, levels of autonomy, and state “strength” were not straightforward, however: Gootenberg noted that the influx of massive revenues from exporting commodities and extracting primary resources could lead to states having too much autonomy and result in long-term weakening.

The discussion concluded with some thoughts on our definition of economic liberalism and how it applied to Latin America, as well as some ideas for future research areas. Knight, Lewis and Thorp together observed that in terms of international trade, liberal policies were increasingly adopted in the late nineteenth century as several countries experienced export booms, but the picture was much less clear with respect to the internal implementation of economic liberalism, in which numerous factors had to be considered. Labour was identified as an obvious area of ongoing illiberalism in

economic terms, as slavery, indentured labour, debt peonage, and other forms of coerced labour continued for most of the nineteenth century and, in some cases, into the twentieth century, preventing the development of a free market in wage labour. As Lewis's paper revealed, the creation of capital markets had been marked by ongoing concerns over levels of unfair competition and cronyism. In the areas of taxation, land ownership, and internal trade policies, liberal reforms had often been piecemeal, reversed, or still in process at the turn of the twentieth century. And, of course, regional variations in these policy areas both between and within different nations were bound to be huge. Miller further noted that almost entirely absent from our workshop discussion, and indeed from many studies of economic liberalism in the nineteenth century, was the role of the state and markets with respect to urban centres, urban consumers, urban property and urban planning. For instance, indirect taxation on alcohol and tobacco primarily targeted urban consumption, while there was also a need for intense regulation of urban markets to ensure adequate food supplies. In addition to Gootenberg's call for a reconciliation between economic and political perspectives in the examination of liberalism in the nineteenth century, therefore, these concluding remarks indicate that acute geographic awareness should be a central part of future analyses.

Deborah Toner
Institute for the Study of the Americas

LIST OF WORKSHOP PARTICIPANTS

Name	Institution	Contact
Deborah Toner	ISA	deborah.toner@sas.ac.uk
Paulo Drinot	ISA	paulo.drinot@sas.ac.uk
Pau Rognitz	ISA	pau.rognitz@googlemail.com
Alejandra Irigoin	LSE	M.A.Irigoin@lse.ac.uk
Helga Baitenmann	ISA	Helgabaitenmann@aol.com
Tom Cutterham	St Hugh's College, Oxford	tom_cutterham@yahoo.co.uk
Colin Lewis	LSE	C.M.Lewis@lse.ac.uk
Paul Gootenberg	SUNY	pgootenberg@notes.cc.sunysb.edu
Alan Knight	St Antony's College, Oxford	alan.knight@lac.ox.ac.uk
Rosemary Thorp	Latin American Centre, Oxford	rsmrythorp@aol.com

Rory Miller	Liverpool	rory@liverpool.ac.uk
Fiona Wilson	IDS	F.Wilson@ids.ac.uk
Thomas Maier	ISA	thomas.maier@postgrad.sas.ac.uk
Nicolas Perrone	LSE	N.M.Perrone@lse.ac.uk
Natalia Sobrevilla	Kent	N.Sobrevilla@kent.ac.uk
Emine Tahsin	Istanbul University	eminetahsin@gmail.com
Stefania Paredes-Fuentes	UEA	G.Paredes-Fuentes@uea.ac.uk
Victor Bulmer-Thomas	ISA	vbulmerthomas@googlemail.com
Maxine Molyneux	ISA	alegria.perez@sas.ac.uk